

Loss of Purchasing Power: The True Inflation-Target Bullseye

By [The Mogambo Guru](#)

10/28/10 Tampa, Florida – When it comes time to put the current crop of economic blowhards and lunatics on trial for the disaster their insanely-bad advice caused, this quote from Frederic Mishkin, former Fed governor and who is directly responsible for the mess we are in, may come in handy.

He says, in *The Financial Times* newspaper, that there is a lot of talk going around that “a numerical inflation target is under consideration inside America’s central bank. And if there ever was a time to establish such a transparent and credible commitment to a specific target, it is now.” Gaaahhhh!

Is there any doubt as to why we are in the economic trouble we are in? This is one of the guys who was at the Federal Reserve who inflicted this on us! Gaaaahhhh!

I had hoped that the little screaming episodes at the end of the previous two paragraphs would be the end of such behavior, I would take a few pills, and/or chug down something alcoholic, and then I would be ready for WHY it is that “it is now,” apparently a place unique in American history, that we must agree to accepting a deliberate 2% inflation in prices when the Whole Freaking Purpose (WFP) of the Federal Reserve, as even this ridiculous chump admits, is “price stability,” which means “zero inflation” to everybody except these academic twerps who laughably slosh around in the fetid, stinking cesspool of their arrogant, neo-Keynesian econometric stupidity that has turned into a complete (pause for effect) and (pause) utter (pause) failure.

Surprisingly, even though I was prepared, he did not say why such a crazy thing as this is needed “now”! Instead, he just blithely went on that “The Fed has a dual mandate, to achieve price stability and maximum sustainable employment. But at the moment it is missing both objectives. Inflation is well below 2 per cent. A slugging economy means unemployment is likely only to decline slowly from its current level of about 10 per cent.”

I can’t believe that this Fed weenie is admitting that he is a failure! And then he goes on to imply that he never heard that inflation in prices was a matter of monetary policy, and instead says something as stupid as, “This combination of economic slack and low inflation raises the possibility that inflation expectations will drift downwards.” Hahaha!

The federal government is deficit-spending almost \$2 trillion a year, the Federal Reserve is going to create enough new money to “target” 2% inflation, and he thinks that “inflation expectations will drift downwards”? Hahahaha!

I have to admit that I quit reading right there, and I ran home to make plans to put this fabulous technique to my advantage! After some reflection and research, I figured that I needed a nice chunk of money to enable me to quit my stupid job, get out of this stupid town and get away from all these stupid people, and that \$750,000 would suffice as a beginning target.

Firstly, I gathered up all the employees and told them, echoing Mr. Mishkin, “I am going to take 2% out of everyone’s pay towards meeting a \$750,000 target, and if ever there was a time for such a transparent and credible commitment to a specific target, it is now!”

Unfortunately, instead of bleating ineffectually like sheep, like I expected, they all started complaining and yelling in protest.

Deftly I deflect their anger by again taking the lead of Mr. Mishkin, and I say, “The amount that I already steal from you people is less than 2%! What did you think the “HBMC” deduction was on your stupid pay-stubs, you idiots? HBMC means “Happy Birthday Mogambo Contribution! Hahaha! And it is less – much less! – than 2% of your stupid checks! Now, it will be a Mishkin-approved ‘transparent and credible’ 2% on-the-nose! Now, aren’t you happy, you stupid proletariat workers?”

I immediately realized that, for some reason, they aren’t happy with any of this. So I told them, “Don’t tell me your stupid problems, you ungrateful whiners and slackers! I’m only taking a lousy 2% of your stupid paychecks. Go tell Frederic Mishkin that you don’t want him deliberately taking 2% out of your stupid paychecks, and then another 2% out of the buying power of every other dollar you own, you morons!”

As I stalked off the stage, I was met by my assistant who rushed up breathlessly to tell me that the news about my little embezzlement had flashed like wildfire through the company, up to my boss, to her boss, to the executive director and the whole accounting staff. Unsurprisingly, I was “summoned.”

The meeting was a long one, and I kept trying to explain to these bozos that “The Federal Reserve creating more money creates inflation in prices, which is the One Freaking Thing (OFT) that you don’t ever want to happen or, well, just look around you, morons!”

Finally, it boiled down to two main arguments. One disagreement was concerning who was the moron around here (another “them against me” plot), and the other argument pitting the theft of the employee’s buying power by the outrage of inflation in prices deliberately caused by the Federal Reserve creating extra money, which is an outrage of monstrous proportions, against my piddly little misdeed of doing the same thing by just taking a little money out of their paychecks, which is just a little ordinary embezzlement.

At last, backed into a corner, I cried out in my best Shakespearian anguish, “Which, indeed, is the greater crime, whether to bid surcease to my suffering the slings and arrows of outrageous fortune by purloining a few paltry pence, or watch with fevered brow the ever-princely prices paid for a crust of bread by peasants as inflation cuts them down, inflation slicing through their real, after-inflation incomes like a razor-edged scythe mowing down a harvest of green wheat to

rot in the fields, destroyed through the foul, hellish machinations of the Federal Reserve to continually increase prices, condemning all to a gnashing of teeth and to wail anew with each dawning in the east, where Juliet is the sun!”

The only good news is that I have been buying gold, silver and oil against a lot of potential calamities, this fiasco being one of them. Fortunately, the strategy has worked out again, just like buying gold and silver has always worked out when the government was borrowing and spending to the point of its bankruptcy, and always when a central bank like the foul Federal Reserve keeps creating excess amounts of new money.

The strategy to buy gold, silver and oil would have worked just as well for an invasion of space ships or large radioactive monsters rising from the depths of the sea, a universal utility that makes you giddy with delight and you say, “Whee! This investing stuff is easy!”